

Agenda
Meeting of
Committee on Foreign Intelligence
19 March 1976
1500, 2430 E Street, N. W.

1. Approval of minutes, 11 March 1976 meeting.
2. Proposed definition of NFIP; process of CFI budgetary and resources controls; reprogramming guidelines.
(IC Staff)
3. Proposed revisions of NSCID's.
(IC Staff)
4. OMB allowance letter.
(Discussion)
5. Proposed classified intelligence annex to the President's budget.
(IC Staff)
6. Proposed evaluation of new imaging system through the Fall of 1977.
(IC Staff)

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COMMITTEE ON FOREIGN INTELLIGENCE

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Washington, D.C. 20505

CFI-M-3
13 March 1976

MEMORANDUM FOR THE COMMITTEE ON FOREIGN INTELLIGENCE

SUBJECT: Draft Minutes of the 11 March 1976 Meeting
of the Committee on Foreign Intelligence

1. The Committee (CFI) met at 1500 hours on 11 March 1976 at East Building. Director Bush was in the chair; Deputy Secretary of Defense Ellsworth and Deputy Assistant to the President for National Security Affairs Hyland, the other members of the CFI attended. Also in attendance were Thomas Latimer of OSD, Richard Ober of the NSC Staff, E. H. Knoche of the Intelligence Community Staff (ICS) and Richard Lehman, an Assistant to the Director.

2. The minutes of the 25 February 1976 meeting were approved. Mr. Knoche noted that the action item in the 25 February minutes involving an ICS paper delineating CFI, DCI and USIB-type concerns and responsibilities remains in process. It was also noted and agreed that it no longer appeared necessary to issue a CFI memorandum or directive extending USIB temporarily. Such extension was directed by Mr. Bush at a February USIB meeting; the action is reflected in official USIB minutes; and USIB meetings have continued to date without confusion.

3. The Chairman followed the outline of agenda papers concerning his talks on the Hill with various Senators concerning Senate Budget Committee requests for budgetary information. Mr. Bush's basic approach has been to hold back on providing such detail pending Congressional resolution of how to arrange eventual oversight of the Intelligence Community. There was CFI agreement on this position. The Chairman said he had raised the subject with the President who said he would discuss the subject with the Congressional leadership.

4. With regard to the Chairman's report of his 4 March meeting with OMB Director Lynn, there was a discussion of reprogramming rules. The sense was that rules may not be necessary and the Staff was directed to clarify this with OMB.

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5. Mr. Latimer spoke to his concern about the level of detail contained in a "Top Secret SENSITIVE" classified budget annex prepared by OMB and intended for Congressional Oversight Committees' use in demonstrating awareness of Community-wide budgets. Mr. Latimer felt the annex contained more detail than necessary and that substantial risk is involved in its widespread display. The Chairman directed that the Staff go back to OMB and point out that not all of the detail may be required. It was also suggested that the classification be no higher than SECRET.

6. There was a brief discussion concerning an OMB allowance letter sent to Mr. Bush under date of 8 March. Staff was instructed to circulate copies of the letter. Mr. Ellsworth suggested that the letter not be answered.

25X1 7. [redacted] of the IC Staff briefed on tentative plans for the reorganization of the ICS to meet functional responsibilities in support of the CFI, of the DCI, and of a USIB successor. Mr. Ellsworth said he had a problem with all this in that the plans were based on an assumption that the Director has three hats whereas Mr. Ellsworth's reading of Executive Order 11905 is that all of the Director's responsibilities derive from two roles: the executive head of CIA and the Chairman of the CFI. The CFI, Mr. Ellsworth noted, is assigned the responsibility for setting "policy priorities for the collection and production of national intelligence," and the Director's responsibilities amount to implementation of this CFI responsibility. What, asked Mr. Ellsworth, will the CFI do to meet this charge, the meaning of which seems to have been left fuzzy. The Director said the CFI would issue guidance and establish priorities but would not get into day-to-day management of the intelligence production process. He said the DCI would task the Community for this purpose, acting in accordance with CFI guidance. The Director referred to the various responsibilities assigned to the DCI by the Executive Order, pointing out that many were, in his view, quite separate from CFI responsibilities. He said that the two-hat interpretation of Mr. Ellsworth would cause the DCI to carry out his tasks either through CIA or through CFI; that a USIB successor organization with advisory responsibilities would have to be folded under the CIA and this would seem clearly to conflict with the intent of the Executive Order. Mr. Hyland said the President expects the CFI to get hold of resource issues and controls and that the question of production of intelligence is the DCI's problem. Mr. Hyland saw that the ICS plans were based on

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trying to relate combined staff support to several tasks rather than to have separate staffs for each task. Mr. Ellsworth noted that most observers conclude there is a problem with the quality of the national intelligence product and that the three CFI members have a heavy responsibility in the fields of collection and production. Mr. Hyland said it is clear the CFI will have to evaluate these functions, but there is a need to get organized and on with the job. Mr. Bush said further clarification of the Executive Order is expected soon in the form of annotations. The discussion concluded with the understanding that ICS reorganization plans had general approval for the purpose of getting on with staffing and manning. Mr. Bush, noting Mr. Ellsworth's comments about the need to deal with inadequacies and mixed quality of national intelligence, agreed that the CFI will have to take looks at what needs improvement but he said there are some responsibilities he has that are separate from the CFI and require execution by the DCI. Mr. Ellsworth responded that he had problems with this view but in the interests of proceeding he would go along, with the record to show his reservations. It was further agreed the ICS organization should clearly indicate a CFI focal point in each of the major components of the Staff.

8. The CFI was briefed on the status of current planning for the relocation of the ICS, one option being a building located in the city near the Executive Office Building. It was pointed out that three to four months of preparation may be required after acquisition of new space. The CFI agreed on the desirability of obtaining the downtown building described and the Chairman said efforts would be made to obtain it.

9. A proposed charter covering NRO/NRP was discussed briefly. Mr. Ellsworth questioned a passage in the draft calling for scheduled NRP launches to be submitted to the Operations Advisory Group for approval. He also asked that the charter include a reference to the fact that the NRP will come under control of the Secretary of Defense in time of war. Mr. Knoche said that the ICS, with suggestions from CIA and the Chairman of USIB's COMIREX Committee, had a number of revisions to propose. It was agreed that the alternative draft would be coordinated with the NRO Staff and a new version tabled at a subsequent meeting of the CFI. It was agreed that the charter might be issued as a CFI directive (CFID).

10. Proposed revisions to three NSCID's, drafted by a CFI working group, were deferred to the CFI's next meeting at the request of Mr. Hyland. CFI members agreed to press ahead with NSCID revisions as directed by terms of Executive Order 11905. Mr. Hyland asked the ICS to consider carefully the question of classification of revised NSCID's.

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11. CFI members briefly discussed ways to improve oversight and production of intelligence judgments concerning the size of Soviet military expenditures as covered in a recent exchange of correspondence between Mr. Ellsworth and Mr. Bush. It was agreed that the subject is not one of direct CFI concern, but Mr. Bush directed Mr. Lehman to arrange for broadening of a CIA panel of outside consultants to include DoD nominees, for re-designating the panel as a joint CIA-DoD panel and for extending its charter in order that it can suggest new methodologies to be employed in making intelligence judgments in this field. Mr. Hyland suggested that the panel should "start at Square One," see what needs to be done to improve collection and analysis, and make a deep study re-examining methodologies, after which a report can be made to the CFI. There was a brief discussion of a DoD desire to assess the "policy implications" of intelligence estimates of Soviet defense expenditures. Mr. Lehman said CIA felt this was not an intelligence matter, that it fit more properly within policy-makers' concerns. Mr. Hyland said he thought this would be a worthy task that might be covered by the NSSM process.

12. The meeting concluded at 1700 after a foreshortened discussion of Item Three on the agenda: a proposed definition of the NFIP, options covering the process to be employed in CFI resource management and reprogramming guidelines. (The item will carry over to the next meeting.)

25X1 [redacted] of the ICS spoke briefly on a proposed definition of the NFIP, citing the GDIP as a possible area for contention in choosing among GDIP activities to be included or excluded and noting that small-dollar items of national concern exist in Treasury and ERDA programs also. Mr. Ellsworth said all of the GDIP, and the appropriate Treasury and ERDA activities should be included. He said the question is one of how much detail the CFI need get into. He indicated that the CFI should seek minimum impact on the management activities of program managers.

[redacted]

E. H. Knoche

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Attachment:
Summary of Actions

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Attachment

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GEL M-3
11 March 1976

Summary of Actions

- a. IC Staff to clarify with OMB re the necessity for reprogramming rules.
- b. IC Staff to confer with OMB about level of detail in classified budget annex. Classification should be kept to Secret level if possible.
- c. IC Staff to circulate copies of OMB allowance letter.
- d. IC Staff should continue to develop reorganization plans and developing proposals for staffing and manning.
- e. IC Staff to coordinate alternative draft NRO/NRP charter with NRO Staff. New version to be tabled at subsequent CFI meeting. Charter to be issued as CFI directive.

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MEMORANDUM FOR:

Item #2:

Proposed definition of NFIP;
process of CFI budgetary and
resource controls; reprogramming
guidelines.

See separate notebook.

Date

FORM 101 USE PREVIOUS
5-75 EDITIONS

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

76-1383

MAR 1976

Honorable George Bush
Chairman, Committee on Foreign
Intelligence
Washington, D. C. 20205

Dear George:

In this customary letter, we outline the major features of the President's 1977 Budget that are applicable to the National Foreign Intelligence Program (NFIP). Before doing so, I want to express our appreciation for the cooperation of the Intelligence Community staff in developing this budget.

As you know, the President's budget plan aimed to restrain Federal spending and to curb the future growth of the Government. With the help of your staff, the President's decisions have resulted in a budget that meets these objectives and at the same time provides for desirable initiatives and maintains important thrusts. It is a budget that we can all support with enthusiasm.

The budget the President has approved for the NFIP includes amounts for 1976, the transition quarter, and for 1977 and 1978 as shown in Enclosure A. The amounts shown are consistent with the estimates included in the President's budget for the Department of Defense and the Department of State.

The President expects you to develop detailed plans so that the operation of the NFIP for these periods will be held within the totals included in the Budget, unless mandatory requirements necessitate otherwise. He expects employment to be held to the ceilings shown in Enclosure B.



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Enclosure A also includes amounts for the years 1979, 1980, and 1981 projected from decisions made for the years 1976-1978; these amounts include the anticipated costs of pay raises and inflation. The degree of uncertainty surrounding future estimates is obviously greater for the later years than the earlier years. Accordingly, adjustments may be made during next year's budget process. The adjustments -- whether increases or decreases -- that are made next year will be based on unforeseen developments such as the outcome of the Administration's legislative program, later information on economic conditions, better appraisals of workload, and other changes in the external environment. Nevertheless, it is expected that, to the extent possible, future budget requirements that may result from proposals favored by you will be offset by reductions elsewhere in the NFIP.

Signals Intelligence Activities: The Consolidated Cryptologic Program for 1977 contains [redacted] in investment to proceed with the modernization of high frequency collection sites overseas. In line with the President's desire to continue this program where cost-effective, the 1977 budget will allow the remoting of collection, the closure [redacted] and continuation of research and development efforts.

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Satellite Reconnaissance Activities: Last fall, the Director

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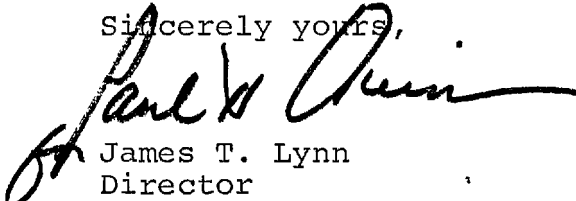
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House Appropriations Investigations: As you know, the House Appropriations Committee staff is currently conducting several studies, including CIA's communication activities, the Defense Intelligence Agency's operations, and the possible transfer of CIA's SIGINT activities to the National Security Agency. I have asked my staff to keep fully informed on the status of these studies and to assure that the positions taken on these issues represent coordinated Administration views. I ask that your staff work closely with OMB to accomplish this objective.

Systematic evaluation of governmental programs is especially important when budgets are limited. Careful planning and management of evaluation activities and the use of evaluation information in decisionmaking are essential to effective management. You should place a high priority on evaluation activities and make the fullest use of your evaluation resources during the coming year.

The President expects each official in the Intelligence Community to support actively the budget amounts set forth in this letter and its enclosures. This support should be given in testimony before congressional committees and in informal contacts with members of Congress and their staff.

Sincerely yours,


for James T. Lynn
Director

Enclosures

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

March 17, 1976

Honorable George Bush
Chairman, Committee on Foreign
Intelligence
Washington, D. C. 20205

Dear George:

Attached is the final draft of the National Foreign Intelligence Budget Appendix, prepared by the OMB staff. It has been extensively coordinated with the OSD and IC staffs and the staffs of the individual agencies and incorporates many of the excellent suggestions made by them during the course of review. I greatly appreciate their constructive cooperation in the preparation of this appendix.

I would appreciate one final review of this draft by you for any errors in fact, significant omissions, and classification prior to transmittal. As we discussed with Jim Lynn, copies will be sent only to the Chairmen of the House and Senate Armed Services and Appropriations Committees. I would appreciate any changes you wish to propose by the end of this week.

Sincerely yours,

Donald G. Ogilvie
Associate Director
National Security and
International Affairs

Enclosure

cc: Robert Ellsworth, Deputy Secretary
of Defense
William Hyland, Deputy to the Assistant
for National Security Affairs

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A Footnote

The question may arise in the CFI discussion as to who is responsible for providing this information to the Congress. It is the ICS view that providing a budget appendix is basically the responsibility of the Director, OMB. He is charged with producing the federal budget of which this document will be a part. However, the DCI is responsible for insuring the protection of intelligence sources and methods and, under that responsibility, has taken the position that intelligence budgets should not be disclosed. Consequently, Mr. Lynn should seek DCI concurrence on classification and on safeguarding the information. Mr. Lynn obviously would have second thoughts on sending it if the CFI chooses to raise strong objections, but the decision is basically his.

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- Copy #24 - CPAD chrono
- Copy #25 - MPRRD

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